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Chain Store Age
EXECUTIVE
with Shopping Center Age
The newsmagazine for retail management
August 1987

THE EXEC 100

The nation's largest retail companies: Mergers, acquisitions and LBOs radically alter starting line-up

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M&As, LBOs AFFECT EXEC 100 LINEUP

This year's scorecard of the Exec 100 reflects major changes in the ownership and organizational structure of America's retail chains. Former major league players, such as Associated Dry Goods (acquired by May Department Stores), have disappeared from this roster which ranks the U.S.'s largest retailers by sales generated in fiscal 1986. . . . . . *10*

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SHOPPING CENTER AGE

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TAKEOVER MANIA: A STUDY OF THE ABSURD

One formal definition of the adjective "absurd" explains the word as follows: "having no rational or orderly relationship to man's life." The word also describes the situation in June when a false report of an imminent Dayton Hudson takeover bid had Wall Street—and the retail world—spinning.

This is takeover madness at its worst. Interest in mergers and acquisitions has become so intense that it's obliterating the reality of what's actually happening in the business of retailing.

Or, to put it another way, there's less interest in who's running the store than in who might, or might not, be getting ready to buy it.

What's happened already in the retail industry became abundantly clear to all of us at *Chain Store Age Executive* as we began to put together this year's Exec 100. This is a ranking of the 100 largest retail companies in America, based on the volume of sales generated *(see page 10)*.

As an inkling of how they have fared in the past year, No. 3 Safeway has gone private through a leveraged buyout. No. 11 Southland's founding family, the Thompsons, have announced their bid to take the company private. No. 16, Supermarkets General, has already gone the going-private route. No. 18, May Department Stores, has already acquired Associated Dry Goods.

And the list goes on.

I admit that no one in retailing can help but be affected by it all. But I also think that the leaders of some U.S. retail companies are in real danger of becoming too introspective. Executives are devoting so much time simply to keeping track of who owns what, not to mention worrying if their companies may be next. Unfortunately, that doesn't always leave enough time for looking around to see what else is happening.

I'm absolutely convinced that there are, in fact, many other changes occurring throughout the industry. For example, foreign investors are upping their stakes in U.S. companies, including London-based J. Sainsbury's recent purchase of a majority stake in Shaw's Supermarkets. Foreign-based retail companies are preparing to open outlets of their own in the U.S., including Paris-based Carrefour's long-awaited hypermarkets.

Further, the wave of entrepreneurship continues with new and potentially major league players in the retail arena being born almost every week. In addition, some large retailers are experimenting with their own new retail concepts.

For retailers to ignore all that's going on around them—that would be the real definition of absurd.

—Jacquelyn Bivins

M&As, LBOs AFFECT EXEC 100 LINEUP

THIS YEAR'S SCORECARD REFLECTS ROSTER CHANGES OF MANY RETAIL TEAMS

Mergers, acquisitions, leveraged buyouts and just plain fatter batting averages (sales and earnings) have contributed to major changes in the starting lineup of the Exec 100 list of top retailers.

Gone from the 1987 scorecard, for instance, is Associated Dry Goods, which was eliminated from the game when it was acquired by May Department Stores last year. Also, Victory Markets was acquired last September by LNC Industries of Australia, and Zale was bought by Peoples Jewelry of Canada.

Sears, Roebuck, K mart, Safeway, Kroger, American Stores and J. C. Penney held on to the same rankings they had in 1986, but swinging for the fences, Wal-Mart jumped from 11th place to 7th, displacing Federated Department Stores, which dropped a notch to 8th.

May Department Stores, boosted by its ADG acquisition, moved up from the 18th spot last year to 9th, taking Dayton Hudson's place, which dropped to 11th.

Look closely at this year's roster. It's going to be far different in 1988, thanks largely to the acquisitions and the LBOs that took place during the past 12 months. It will be more difficult to assess the financial acumen of such companies as Safeway, R. H. Macy, Jack Eckerd, Supermarkets General and Revco, which represent just a few of the companies that have taken the going-private route.

Also, Allied Stores will be missing from the 1988 lineup as a result of its acquisition by Campeau Corp., a Canadian-based real estate firm. Campeau is continuing to sell off Allied's bits and parts, making it a far smaller retailing force (at least in terms of sheer sales numbers).

Although not expected to decrease in size so much that it will fall off the list altogether, Safeway, previously the nation's largest supermarket company, can also be expected to have fallen down a notch or two by the time 1987 ends. In order to cut down on the debt management has incurred through its recent buyout of the chain, various divisions and/or store groups are being sold off.

This should enable Kroger to move up to No. 1 in terms of sales volume among supermarketers. However, Kroger's own numbers will be down as a result of its divestiture of the SupeRx and Hook Drug operations.

A retailer that appears intent on holding on to its spot is No. 1-ranked

Chains	1986 Sales (millions)	1985 Sales (millions)	1986 Earnings (millions)	1985 Earnings (millions)	1986 Earnings as % of sales	1985 Earnings as % of sales	Return on equity	P/E† ratio	Existing units 1986	Units to be added 1987
1. Sears, Roebuck[1]	$27,074	$26,552	$736.0[2]	$766.0[2]	2.7	2.9	10.8	13	1,047	70
2. K mart	23,812	22,035	582.0	221.2	2.4	1.0	17.4	15	3,782	215
3. Safeway[3]	20,311	19,650	(14.3)	231.3	N/A	1.2	N/A	N/A	1,909	N/A
4. Kroger	17,123	15,967	51.5	180.7	0.3	1.1	4.4	61	735	65
5. American Stores	14,021	13,890	144.5	154.5	1.0	1.1	14.9	18	1,498	29
6. J.C. Penney	13,398	12,634	497.0	386.0	3.4	2.8	4.6	16	1,793	76
7. Wal-Mart	11,909	8,451	450.1	327.5	3.8	3.9	35.2	40	1,029	151
8. Federated Dept. Stores	10,512	9,978	287.6	286.6	2.7	2.9	10.7	16	631	19
9. May Dept. Stores	10,328	9,411	381.0	347.0	3.7	3.7	15.6	19	2,766	259
10. Dayton Hudson	9,259	8,255	310.0	283.6	3.4	3.4	13.1	15	475	104
11. Winn-Dixie[4]	8,225	7,774	116.4	107.9	1.4	1.4	17.2	18	1,262	64
12. Southland[1]	8,039	8,097	264.0[2]	259.9[2]	3.3	3.2	N/A	9	8,137	N/A
13. A&P	7,835	6,615	95.0	88.3	1.2	1.3	13.3	19	1,200	120
14. F. W. Woolworth	6,501	5,958	214.0	177.0	3.3	3.0	17.7	15	6,309	617
15. Lucky	6,441	6,225	225.9	86.5	3.5	1.4	49.7	6	579	N/A
16. Supermarkets General[3]	5,508	4,960	62.7	61.8	1.1	1.2	15.4	N/A	310	30
17. Albertson's	5,380	5,060	100.2	85.1	1.9	1.7	18.0	17	452	33-35
18. Zayre	5,351	4,036	89.0	94.6	1.7	2.3	14.7	17	1,092	124
19. Melville	5,262	4,775	238.3	210.8	4.5	4.4	21.6	16	5,833	343
20. Army/Air Force Exchange	5,187	4,918	228.9	171.0	4.4	3.5	N/A	N/A	5,441	N/A
21. R. H. Macy[3,4]	4,653	4,368	205.6	189.3	4.4	4.3	N/A	N/A	87	4
22. Allied Stores[3]	4,435	4,135	(119.1)	(135.4)	N/A	N/A	N/A	N/A	697	N/A
23. Montgomery Ward	4,383	5,389	106.0	42.0	2.4	0.8	N/A	N/A	295	N/A
24. Carter Hawley Hale	4,090	3,978	4.2	48.0	0.0	1.2	0.2	47	302	36
25. Stop & Shop	3,872	3,430	38.4	30.3	1.0	0.9	9.2	23	275	18
26. Publix	3,797	3,476	84.3	71.8	2.2	2.1	16.2	N/A	307	35
27. Walgreen[4]	3,661	3,162	103.1	94.2	2.8	3.0	19.9	23	1,273	100
28. The Limited	3,143	2,397	227.8	145.3	7.2	6.1	38.0	34	2,682	500
29. Von's	3,000	2,500	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
30. Grand Union	2,746	2,612	34.1	20.5	1.2	0.8	N/A	N/A	369	N/A
31. Revco[3,4]	2,743	2,396	56.9	38.9	2.1	1.6	13.4	N/A	2,031	N/A
32. Jack Eckerd[3]	2,700	2,508	162.8	(8.3)	N/A	N/A	N/A	N/A	1,596	N/A
33. Radio Shack	2,687	2,438	N/A	N/A	N/A	N/A	N/A	N/A	4,863	100
34. Price[4]	2,667	1,887	58.9	46.0	2.2	2.4	39.0	34	25	2
35. Wickes[1]	2,656	1,849	116.1[2]	73.1[2]	N/A	N/A	N/A	N/A	565	N/A
36. Giant Food	2,528	2,247	46.5	57.0	1.8	2.5	16.3	7	142	6
37. Service Merchandise	2,527	2,245	(46.9)	10.7	N/A	0.5	N/A	N/A	313	N/A
38. Batus	2,500	2,175	197.0	165.0	N/A	N/A	N/A	N/A	197	N/A
39. Toys 'R' Us	2,445	1,976	152.2	119.8	6.2	6.1	18.8	31	338	75
40. Food Lion	2,407	1,866	61.8	47.6	2.6	2.6	29.8	39	388	N/A
41. Circle K	2,289	2,111	49.4	39.2	2.2	1.9	N/A	18	N/A	N/A
42. Lowe's	2,283	2,073	52.2	59.7	2.3	2.9	11.0	19	300	N/A
43. Super Valu[1]	2,269	1,756	56.6[2]	56.9[2]	2.5	3.2	N/A	24	170	10
44. Best Products	2,142	2,235	(25.6)	2.2	N/A	0.0	N/A	N/A	205	0
45. Merchantile Stores	2,028	1,880	111.1	102.4	5.5	5.4	14.4	13	82	1
46. Ames	1,888	1,513	27.1	40.4	1.4	2.7	7.4	32	463	27
47. Dillard	1,851	1,601	74.5	66.9	4.0	4.2	16.2	20	115	6
48. Rite Aid	1,757	1,564	78.0	62.5	4.4	4.0	N/A	21	1,586	N/A
49. Fred Meyer	1,688	1,584	22.5	19.5	1.3	1.2	15.8	14	93	3
50. Long's	1,635	1,480	38.6	37.7	2.4	2.5	13.3	19	222	12

( ) Loss
N/A Not available
†P/E ratios are based on primary per share earnings as reported by the companies for the most recent four quarters. Extraordinary items generally are excluded.
[1]Retail only [2]Operating earnings, retail [3]Company has gone private during last 12 months [4]Fiscal year ended in summer of 1986 [5]Acquired in last 12 months
[6]Formerly American Can

Source: Chain data and *Chain Store Age Executive* estimates

Chains	1986 Sales (millions)	1985 Sales (millions)	1986 Earnings (millions)	1985 Earnings (millions)	1986 Earnings as % of sales	1985 Earnings as % of sales	Return on equity	P/E† ratio	Existing units 1986	Units to be added 1987
51. Nordtrom	$ 1,630	$ 1,302	$ 72.9	$ 50.1	4.5	3.8	8.8	38	42	2
52. Peoples	1,630	1,611	(28.3)[1]	41.0[1]	N/A	N/A	N/A	N/A	802	N/A
53. Thrifty[3]	1,555	1,405	32.0	31.0	2.0	2.2	21.5	N/A	712	70
54. Payless Cashways	1,528	1,390	42.4	38.1	2.8	2.7	12.7	17	181	12
55. Primerica[1,5]	1,380	1,156	110.7[2]	100.2[2]	N/A	N/A	N/A	N/A	541	N/A
56. Hills[7]	1,343	1,214	74.1[2]	94.4[2]	N/A	N/A	N/A	N/A	137	12-15
57. U.S. Shoe[1]	1,229	1,092	47.4	84.8	3.9	7.8	N/A	44	1,678	291
58. Rose's	1,199	1,009	24.0	20.3	2.0	2.0	15.0	15	222	N/A
59. Petrie	1,198	1,161	73.7	77.9	6.1	6.8	6.7	20	1,502	N/A
60. Weis	1,101	1,017	65.3	60.1	5.9	5.9	16.8	23	116	N/A
61. Berman's	1,073	987	9.2	7.3	0.8	0.7	26.6	8	83	3
62. Cullum[1]	1,036	1,172	18.1[2]	17.2[2]	1.8	1.5	17.0	19	56	9
63. Bruno's[4]	1,018	887	30.3	24.6	3.0	2.8	18.3	22	94	15
64. Circuit City	1,011	705	35.3	22.0	3.5	3.1	27.3	23	87	14
65. Home Depot	1,011	701	23.9	8.2	2.3	1.2	18.9	41	60	16
66. Sherwin Williams[1]	1,009	931	91.0[2]	64.3[2]	N/A	N/A	N/A	N/A	1,719	100
67. National Convenience[4]	950	928	3.6	15.5	0.4	1.7	3.7	N/A	958	60
68. Edison Bros.	904	808	33.9	27.0	3.7	3.3	15.4	13	2,475	100
69. Stater Brothers	891	788	3.7	2.6	0.4	0.3	N/A	N/A	N/A	N/A
70. Big Bear[2]	862	828	13.2	15.0	1.5	1.8	18.4	10	90	N/A
71. Western Auto Supply	857	813	9.4	4.8	1.1	0.6	N/A	N/A	1,977	N/A
72. The Gap	848	647	68.1	27.7	8.0	4.3	37.5	36	724	97-102
73. Hannaford Bros.[1]	820	733	N/A	N/A	N/A	N/A	N/A	N/A	102	5
74. Carson Pirie Scott[1]	782	706	33.4[2]	76.6[8]	N/A	N/A	N/A	N/A	341	N/A
75. Marsh Supermarkets	772	719	6.7	6.4	0.9	0.9	13.9	15	244	N/A
76. Costco[4]	747	366	4.5	(5.7)	0.6	N/A	8.3	N/A	37	5
77. Strawbridge & Clothier	739	687	20.7	24.1	2.8	3.5	1.3	14	35	N/A
78. Perry Drug	694	648	5.9	9.6	0.8	1.4	5.0	N/A	553	29
79. Pueblo International	692	597	6.8	6.6	1.0	1.1	12.7	15	44	4
80. Delchamps[4]	689	631	8.0	9.6	1.2	1.5	11.5	23	90	7
81. Highland Appliance	656	521	20.2	23.6	3.1	4.5	19.0	N/A	53	18
82. Jamesway	612	523	12.1	9.3	2.0	1.8	12.5	18	100	15
83. Pace Membership	603	275	(1.1)	(7.5)	N/A	N/A	N/A	N/A	25	8
84. Ingles[4]	591	528	8.6	7.8	1.5	1.5	15.5	N/A	110	N/A
85. Fisher Foods[3]	590	495	(1.9)	2.3	N/A	0.5	N/A	11	62	N/A
86. Big V Supermarkets	588	561	6.1	5.7	1.0	1.0	12.2	20	32	1
87. Hechinger	588	479	28.3	23.1	4.8	4.8	15.3	23	62	7
88. Nash Finch[1]	587	542	7.8[2]	5.2[2]	N/A	N/A	17.0	N/A	93	N/A
89. Morse Shoe[3]	586	541	9.7	7.2	1.7	1.3	7.2	26	1,310	N/A
90. Hartmarx[1]	575	634	(2.8)[2]	28.0[2]	N/A	N/A	N/A	N/A	440	N/A
91. Dollar General	565	584	4.3	17.8	0.8	3.1	4.0	55	1,303	N/A
92. Charming Shoppes	521	392	40.5	28.7	7.8	7.3	30.0	35	678	155
93. Alexander's[4]	520	520	4.1	5.0	0.8	1.0	5.4	17	14	N/A
94. Interco[1]	498	462	40.6	32.1	N/A	N/A	N/A	N/A	201	N/A
95. Scotty's[4]	494	453	13.5	17.5	2.7	3.9	8.4	18	130	17
96. Gordon Jewelry[4]	489	502	13.4	8.5	2.8	1.7	5.3	N/A	659	30
97. Family Dollar[4]	488	410	30.5	28.0	6.3	6.8	23.7	17	1,107	200
98. Pep Boys	486	389	28.1	21.1	5.6	4.6	16.7	29	177	35
99. Foodarama	472	441	1.7	2.9	0.4	0.7	6.4	11	24	N/A
100. Munford	460	457	1.6	5.5	0.4	3.1	3.1	N/A	1,154	N/A

( ) Loss
N/A Not available
†P/E ratios are based on primary per share earnings as reported by the companies for the most recent four quarters. Extraordinary items generally are excluded.
[1]Retail only [2]Operating earnings, retail [3]Company has gone private during last 12 months [4]Fiscal year ended in summer of 1986 [5]Acquired in last 12 months
[6]Formerly American Can

Source: Chain data and *Chain Store Age Executive* estimates

Sears, Roebuck. While during the last two years the gap between Sears and K mart has been narrowing, this trend wasn't so evident in 1986. In addition, Sears has purchased the Eye-Care chain of optical stores and indicated that its foray into specialty retailing has just begun.

Meanwhile, changes in ownership and organizational structures have made room on the roster for some new types of companies. For example, three membership warehouse chains are now represented: Price Club, Costco and Pace. Likewise, among consumer electronics powerhouses, Circuit City and Highland Appliances made the cut.

However, the Exec 100 ranks these retailers only by sales. Other measures of performance include the ratio of earnings-to-sales, return on equity and the price/earnings ratio (the price of the stock on any given day in relation to the earnings per share over the past four quarters).

The highest earnings-to-sales percentages were achieved by two apparel chains. The Gap reported net earnings of $68.1 million, or $1.93 a share, on sales of $848 million, for a ratio of 8%. Charming Shoppes had earnings of $40.5 million, or 81¢ a share, on sales of $521 million, for a ratio of 7.8%.

But everything about a retail chain can't be quantified. For instance, how strong are the management teams? What will happen to a chain after it is bought or goes private? Or what happens if it is private and goes public? ■

DIFFERENT BALLPARKS, DIFFERENT WINNERS

DEPENDING ON MEASURING METHODS, PLAYERS SCORE VARIED SUCCESS STATS

What's the best way to judge financial performance? No one has yet to come up with a single answer. Sales, certainly, is a good barometer of success. However, revenues don't tell the whole story.

For example, while Federated Department Stores may still be ranked as the nation's largest department store company (its numbers admittedly beefed up by its ownership of the Ralphs supermarket chain), it is No. 4 when ranked in terms of return-on-equity. Instead, by this measurement, it is Dillard that comes in first, at 16.2%. (Return-on-equity, as measured here, refers to an average of investors total equity at the end of the 1985 and 1986 fiscal years, divided into 1986 earnings.)

Lucky Stores by far outpaced its competition with an ROE of 49% (helped no doubt by the sale last year of its Gemco units to Dayton Hudson's Target division). However, when it comes to how much of the company's sales are showing up on the bottom line (measured here as earnings as a percentage of sales), Lucky came in at only 15, not anywhere close to making the top 10 here. (The chief reason is obvious: the very low profit margins under which Lucky and other supermarketers operate make them a breed apart from other categories of retailers when it comes to any profits and earnings measurements.)

Conversely, four companies did actually manage to make both top 10 line-ups. These include The Gap (No. 1 on the earnings as a percentage of sales measurement), The Limited and Charming Shoppes. Each has achieved wide recognition for its expertise and efficiency in running the various specialty store businesses. For example, The Gap sold off its beleaguered Pottery Barn division and instead is devoting its attentions to a three-prong attack on the marketplace: a complete revamping of all of its The Gap stores; the rapid expansion of its Banana Republic chain; and the launch of its Gap Kids division.

The fourth member of this quartet is Family Dollar Stores which pursues a very different strategy. As numerous other retailers have traded up to go after a more affluent market, Family Dollar has continued to operate and to build additional discount stores appealing to the low- to middle-income consumer.

All this points to the many different strategies that contribute to measurements of success. ■

Top 10 retailers: Ranked by 1986 earnings as % of sales

The Gap	8.0%
Charming Shoppes	7.8
The Limited	7.2
Family Dollar	6.3
Toys "R" Us	6.2
Petrie Stores	6.1
Weis Markets	5.9
Pep Boys	5.6
Mercantile Stores	5.5
Nordstrom	4.5
Melville	4.5

Source: Chain store data and *Chain Store Age Executive* estimates

Top 10 retailers: Ranked by 1986 ROE

Lucky Stores	49.7%
Price Club	39.0
The Limited	38.0
The Gap	37.5
Wal-Mart	35.2
Charming Shoppes	30.0
Food Lion	29.8
Circuit City	27.3
Borman's	26.6
Family Dollar	23.7

Source: Chain store data and *Chain Store Age Executive* estimates

Top 10 supermarket retailers: Ranked by 1986 ROE

Lucky Stores	49.7%
Food Lion	29.8
Borman's	26.6
Big Bear	18.4
Bruno's	18.3
Albertsons	18.0
Winn-Dixie	17.2
Cullum	17.0
Weis Markets	16.8
Giant Food	16.3

Source: Chain store data and *Chain Store Age Executive* estimates

Top 5 specialty retailers: Ranked by 1986 ROE

The Limited	38.0%
The Gap	37.5
Toys "R" Us	31.0
Charming Shoppes	30.0
Circuit City	27.3

Source: Chain store data and *Chain Store Age Executive* estimates

Top 5 department stores: Ranked by 1986 ROE

Dillard	16.2%
May Department Stores	15.6
Mercantile Stores	14.5
Federated Dept. Stores	10.7
Nordstrom	8.8

Source: Chain store data and *Chain Store Age Executive* estimates

Top 5 discount store chains: Ranked by 1986 ROE

Wal-Mart	35.2%
Family Dollar	23.7
K mart	17.4
Fred Meyer	15.8
Zayre	14.7

Source: Chain store data and *Chain Store Age Executive* estimates

Top 5 department stores: Ranked by 1986 earnings as % of sales

Mercantile Stores	5.5%
Nordstrom	4.5
R. H. Macy	4.4
Dillard	4.0
May Dept. Stores	3.7

Source: Chain store data and *Chain Store Age Executive* estimates

Top 5 specialty retailers: Ranked by 1986 earnings as a % of sales

The Gap	8.0%
Charming Shoppes	7.8
The Limited	7.2
Toys "R" Us	6.2
Petrie Stores	6.1

Source: Chain store data and *Chain Store Age Executive* estimates

TOP RETAILERS LOOK INTO THE FUTURE

LEADING COMPANY EXECUTIVES FORECAST BUSINESS THIS YEAR AND NEXT

How do the leaders of the Exec 100 companies expect their companies to fare throughout the rest of 1987 and on into 1988? What factors do they expect to impact their business? They share their thoughts about these and other questions in the comments that follow.

• **Michael Bozic, chairman, ceo, Merchandise Group, Sears, Roebuck, Chicago**

"I expect the retailing industry to show gains of between 5% and 6% this year over last year. We expect Sears [gains] will match that of the overall industry. At this time, Sears is running slightly behind those gains. In Sears' case we still think we will hit our original estimate for the year."

PACE: 'THIS YEAR'S SALES SHOULD END UP AHEAD OF LAST YEAR'S'

• **Bill Dombrowksi, director-media relations, Carter Hawley Hale, Los Angeles**

"In the department store industry we expect to see 4% comparable store sales gains this year and next. This is a steady trend, and we see little geographic variations in sales.

"Promotion activity is also continuing to decline, as it has been for the past year or so. Instead, more people are emphasizing customer service, part of a long-term strategic plan that was undertaken a couple of years ago.

"Hot merchandise categories currently include domestics, tabletop and housewares, and men's and women's sportswear."

• **Spokesman for Federated Department Stores, Cincinnati**

"We expect that the rate of growth for general merchandise sales will run 5½% to 6% over last year for 1987; we think it is too early to tell about 1988.

"As for what will have a major impact on retail sales, we think the major factor will be inflation. That means that even though the rate of increase year to year for GAF sales will be pretty much what it was a year ago, a larger component of that increase will be caused by inflation. A smaller component will be real growth.

"In terms of regional or geographic trends, we are hoping that the economic troubles in the Oil Patch are behind us. We think the oil recession has bottomed out and that the oil business is on its way back up.

"We continue to see progress in our upscale department store divisions, which include Bloomingdale's, Bullocks and I. Magnin."

• **Dave Connolly, vp, treasurer for Boise-based Albertsons**

"We are quite optimistic about this year and we are estimating sales to up to around 10% for 1987. We don't like to project earnings.

"We feel that we have good momentum. We intend to open 33 new stores this year and have quite a few on the pipeline for 1988; we'll probably open the same number in 1988.

"As for the industry itself, a number of players have gone through LBOs which has muddied up things. However, for the industry as a whole we look at this year as being a reasonably good year as long as inflation doesn't go up too much."

• **Tom Hairiston, coo for the Cullum Cos., Dallas**

"I think we will soon begin to see a slow, upward movement in the economy in Texas. Already oil prices are up and that has helped us.

"The real estate situation is not so good, though. We are grossly overbuilt in terms of office construction. Real estate won't have a very good year.

"However, we think the second half of this calendar year will be fairly strong for our company. Along with improvements in the Texas economy, we expect that the change in the tax rate will also help our financial results. The old rate was 46% and the new one is 34%; this will have a positive impact on our overall earnings.

"In addition, with the departure of Safeway from our market, we are looking for some nice gains.

"Specifically in terms of our Simon David operation, the original store is doing well and we have two new ones under construction. One is in Austin which will be 52,000 sq. ft. and we are just beginning construction on a 78,000-sq.-ft. one in Dallas.

"Looking at the supermarket industry as a whole and looking further ahead, I think 1988 will be a good year. The economy on both coasts is good and so is the upper Midwest. But we will still have to struggle through some difficult times in the Southwest."

• **Ronald M. Brill, senior vp, cfo, Home Depot, Atlanta**

"We're optimistic about the balance of this year, based on the improvement in our merchandising techniques. Since the fourth quarter of last year, our sales have been increasing at a strong rate. In the first quarter of this year, store-for-store sales increased 22%, compared with 8% last year. We don't expect it to hold at that rate for the remainder of the year, but sales will be much better than last year.

"These improvements have come even though housing starts or turn-

over haven't increased over a year ago. Interest rates have increased nominally. Inflation has been a moderate 2% to 3% over the past two to three years. But what's happened at Home Depot is that we are learning how to run our business better.

"Another factor is that some of the DIY home improvement competition, such as Mr. HOW, has gone out of business.

"Sales in the first quarter were $334 million, a 50% increase over sales of $222.6 million a year earlier. Earnings in the first quarter were $12.8 million, or 43¢ a share, an increase of 149% over the $5.1 million, or 20¢ a share, in the same period a year earlier.

• **Henry W. Haimsohn, president, Pace Membership Warehouse, Denver**

"Our sales are on plan for the year, but they are hard to come by. I believe the reason is heightened competition. In Denver, for instance, the grocery competition is becoming quite intense. We also see an increase in intensity [of competition] from other markets, such as consumer electronics as well as wholesale grocery. This is going to continue to affect our business.

"We are also affected regionally. The farm belt—particularly Iowa—has been affected by the depression. Denver has rebounded somewhat, but unemployment is still high. This year's sales should end up ahead of last year's."

• **Barbara Salavaria, market research analyst, and Bob Miller, vp-merchandising, Radio Shack, Fort Worth**

"As for the effects of inflation/recession, the electronics industry seems to be immune. When money is tight, people don't attend movie houses, go to restaurants, etc. To save money they will stay at home and watch their new stereo TV, listen to the new compact disc player, continue to buy tapes, rent movies for the VCR and the like. Electronics are viewed by consumers as staples.

"Radio Shack tends to have less volatile swings than moody consumer electronics marketers because many of our products are staples. We tend to do well in recessions as well as in boom periods.

"The industry as a whole, though, suffers from an inability to read the market. The industry has been soft the last few months because of the glut in VCRs. Ten percent of average industry sales are in VCRs.

• **Alex Grass, chairman, president, Rite Aid, Shiremanstown, Pa.**

"The greatest factor affecting the retail business appears to be the rate of inflation or the slow rate of inflation that exists today. It is our belief that the rate of inflation this year will be about the same as last year and consequently will create about the same kind of business climate. That means one in which prices are not rising very rapidly. Consequently it is very important that a business manage its expenses, its cost of doing business, in order to produce a satisfactory bottom line.

"We achieved sales increases last year in the range of 7% to 7½% and we are looking for the same sort of performance this year. ■

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KEEPING LINEUPS UP-TO-DATE IS A CHALLENGE

RETAIL INDUSTRY UPHEAVALS MOVE PLAYERS FROM TEAM TO TEAM

"I've been in this business 17 years, but these days I need a scorecard to keep track of who owns what," was a comment overheard at this May's International Council of Shopping Centers annual convention.

Chances are that many others share this sentiment—with good reason. During the last few years tremendous upheavals have taken place in the retail industry.

Nowhere is the impact of such change more discernible than when looking at the department store industry. It's not enough that R. H. Macy, the nation's fifth largest department store company, went private. Associated Dry Goods, formerly the fourth largest, was scooped up by May Department Stores. Allied Stores, which last year held the No. 6 position, is being dismantled by new owner, Campeau.

Batus, once-powerful player in the department store arena, has sold off so many divisions that it now consists of only Saks Fifth Avenue, Marshall Field, Ivey's and specialty store chains Breuners and Thimbles. Gimbels has disappeared altogether—except for one lone Pittsburgh outpost.

Dillard seems to have benefited most from all of this restructuring. Following its pattern of growth through acquisition, last year the company kept its pocketbook open. From Allied Stores (Campeau) it bought the Joske's, headquartered in Texas, as well as Cain-Sloan, headquartered in Nashville. It also purchased the former Macy's Midwest division.

Dillard hasn't been the only beneficiary of Allied Stores as that company has gone on a selling-off spree. Other Allied moves include:

- Block's, Indianapolis, sold to Federated Department Stores;
- Dey's, Syracuse, sold to May;
- Miller's, with stores in eastern Tennessee, sold to Hess's;
- Miller & Rhoads, Richmond, Va.-based department store chain, sold to an investment group;

FEDERATED'S BULLOCK'S: BUSINESS-AS-USUAL

- Pomeroy's, operating department stores in Pennsylvania, sold to Bon-Ton Stores;
- Bonwit Teller sold to Hooker of Australia;
- Washington, D.C.-based Garfinckel's, sold to Raleigh Stores;
- Plymouth, New York City-based women's apparel chain, sold to Tribeca Holdings.

Further, Allied has merged its Jordan Marsh New England and Read's Connecticut divisions; Jordan Marsh Florida and Maas Bros., headquartered in Tampa, have also been merged into a single division.

Compared to all this, some other department store companies have been relatively quiet—no one more so than low-profile Mercantile Stores.

Although it has recently completed some corporate restructuring, Federated Department Stores is proceeding fairly business-as-usual—one exception being its recent acquisition of the Block's chain from Allied Stores. The stores, in Indiana and Michigan, will operate as part of Cincinnati-based Lazarus.

Carter Hawley Hale has announced plans to split into two separate companies. But the only major move it's made so far is to sell off its Philadelphia-based John Wanamaker division. The buyer was Woodward & Lothrop (CHH has also sold two of its Broadway-Southwest stores in Denver to May, and one to Montgomery Ward). W&L is, in turn, owned by a corporation headed by developer Alfred Taubman.

Developers, in fact, continue to be an important factor in the changing structure of retail ownership. For example, while Campeau's move has made the biggest waves, Australia's Hooker Corp. (represented in the U.S. by its Hooker Barnes real estate development arm) has purchased Bonwit Teller from Allied Stores. Also, one of the partners in Tribeca Holdings, which now owns Lamston's as well as the Plymouth Shops, is Connecticut-based developer Simon Konover.

In the drug store sector, both Jack Eckerd and Revco have gone private within the last year, while SupeRx and Hook Drug, both formerly owned by Kroger, have been spun off and are now combined into a separate operating entity.

In the supermarket field, the biggest news has been Safeway's decision to go private. (Supermarkets General has made waves with a similar decision.) To pay off some of the enormous debt incurred in this leveraged buyout, Safeway has sold its Salt Lake City stores to Detroit-based Borman's, has split up its Dallas division and is in the process of selling its Liquor Barn operation to Majestic Wine Warehouses Ltd., based in London.

Who knows what other moves may be made in the weeks ahead? ■